The MORTGAGE BANKER

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At Home Abroad With the MBA

A Record of the Association's Officers' Recent Tour of Pacific Coast Cities in Behalf of a Bigger MBA in the Far West

By BYRON T. SHUTZ

IF you want a selling on the Mortgage Bankers Association of America and its possibilities; on the mortgage business itself; and, mainly, on the prime quality of the men in it, here's a surefire prescription: Spend a month on the West Coast. George Patterson and I made a March swing around the circle in the interest of the MBA. We met upwards of 500 men identified with our business and can testify as expert witnesses.

Our objectives included: The encouragement of existing local associations and the stimulation of such organizations where they did not exist; a frank exchange of views with all those in any way related to the mortgage business in the hope that wide familiarity with MBA's activities might lead to unity of action in the effort to solve common problems; and, the advancement of the MBA.

Choosing as a theme for my remarks to groups, "A 1940 Appraisal of the Mortgage Business," it was my purpose to report the news and present the views representing a composite of the thinking of the best minds in our business today; and, second, to secure at first hand, information which would be valuable to the Association in shaping its future policies and program.

George H. Patterson, in the role of spokesman for the national headquarters office, effectively interpreted the service of the staff to our members and prospective members, and collaborated with local leaders in making meeting arrangements, notably in Los Angeles, where the second Mortgage Clinic was held.

The following cities were visited:

SPOKANE, March 5-6

Luncheon meeting, sponsored by the Spokane Mortgage Men's Association, headed by R. G. Royer, Vice President of the Vermont Loan and Trust Company. All mortgage lending interests were represented, 48 persons attending.

Spokane members of the MBA were hosts of a dinner that night inviting only the mortgage interests that were eligible to membership in the national association. Eighteen were present.

SEATTLE, March 7-10

Joint dinner meeting of the Seattle Mortgage Bankers Association and the local Real Estate Board. E. E. Erickson, Peoples National Bank of Washington, presided at this occasion, which was attended by 143 persons, representing all factors interested in real estate mortgages.

W. Walter Williams, MBA Past President, had arranged a full schedule that included, besides the joint dinner, a breakfast on arrival with the Mayor, Presidents of the Chamber of Commerce, Real Estate Board and the local Association, as well as other civic leaders; a luncheon with the presidents of Seattle's leading banks; a radio interview; and an address before the Seattle Chamber of Commerce.

PORTLAND, March 11-12

Dinner meeting, held under the sponsorship of the Portland Mortgage Correspondents Association, Reade M. Ireland, Portland MBA Board Member, presiding. Since attendance was restricted to heads of firms, correspondents of life insurance companies and bank officials, the occasion brought together the top rank mortgage men of the Rose City.

SAN FRANCISCO, March 13-16

Dinner meeting, arranged by Frederick S. Duhring, Mason-McDuffie Company, Inc., Berkeley, and Raymond Haizlip, Mutual Mortgage Company, San Francisco. Attended by representatives of all but one of the San Francisco banks, and life insurance company correspondents and mortgage men from Berkeley and Oakland, it was said to be one of the most significant gatherings of its kind in the recent history of the Bay Cities.

As a consequence, it is expected that a new local mortgage bankers association will be organized. The accomplishments of other local groups were explained in detail. San Francisco needs a mortgage association, and the MBA needs the added support which logically should follow an expanded membership.

LOS ANGELES, March 17-21

An informal meeting with the Board

(*Continued on page 6*)

of Governors of the Southern California Mortgage Bankers Association, headed by MBA Board Member Harold F. Whittle, marked the beginning of our stay in the Los Angeles area.

A Mortgage Clinic, held under MBA auspices the afternoon of March 19 at the Hotel Biltmore, was attended by 41 heads of firms and principals from banks and insurance companies. Mr. Whittle and John M. Marble assisted in conducting the clinic, which followed closely the pattern of that held February 10 in Chicago. It was outstandingly successful and afforded convincing proof that such "shop talk" conferences should be made a regular MBA activity.

The dinner meeting of the SCMBA that night was attended by more than 70 mortgage men from Los Angeles, Beverly Hills, Glendale, Pasadena, Santa Barbara and San Diego.

SAN DIEGO, March 22

Dinner meeting with heads of 9 leading mortgage lending institutions, arranged by Harold Starkey, Starkey Investment Company. The program and current activities of the MBA were outlined and, as a result, it is hoped a new local association soon will be organized in San Diego.

EL PASO, March 26

MacIntosh Murchison, Mortgage Investment Company, arranged for George Patterson to meet with several mortgage men of the Border City after leaving Los Angeles for Chicago.

THE SUMMING UP

The foregoing is a mere outline of our response to one of the vital responsibilities of the national association—the development of closer contact with local groups. Mortgage banking the last few years has progressed from a localized to a nationalized type of banking, well on the way to become unified in practice and procedure. Clearly, the MBA must study local needs and give assistance to its members in their individual communities.

The problems of mortgage lenders are the same the country over. More than ever, I am convinced there is no better way to clarify the thinking of those in our business than by means of the mortgage clinic. However, the value of a clinic increases in direct proportion to the size of the area from which those participating in it are drawn. Clinics in four or five regional centers of the country doubtless will secure the greatest benefit to the business as a whole.

Forty-one mortgage loan companies, life insurance companies and banks registered and were in attendance at the Los Angeles Mortgage Clinic. Unfortunately, all were not present when the above picture was taken. The Clinic was followed by a dinner evening meeting at which 90 representatives were present to hear an address by President Shutz on the subject—"A 1940 Appraisal of the Mortgage Business."

West Coast mortgage bankers evinced unusual interest in the idea of Codes of Fair Practices. It was significant that in almost every city visited by your Secretary and President, repeating experiences in other cities visited the last six months, local mortgage lenders through cooperation for specific purposes were realizing in part the benefits which would result from the adoption of comprehensive codes.

In some instances, the effort was concerned with advertising; in others, the treatment of insurance covering the mortgage security, or differentiation between legitimate and "curbstone" brokers; in still others, acquisition fees (no longer called cash commissions). With respect to the latter, mortgage lenders recognized that while they were receiving interest participation from the mortgagee to cover the cost of servicing loans, they rightfully should secure compensation from the borrower to cover the cost of putting the business on the books.

Mindful of the public interest as well as the mortgage banking interest, there was general agreement that self-regulation by means of Codes of Fair Practices opens the door to progress and betterment.

From the standpoint of organized effort, it is clear that neither a common understanding nor the solution of common problems is possible save through the creation of local associations. While the MBA's interest in fostering local organized effort is not inspired by a desire to increase its own strength, there is a mutual interest that cannot be overlooked. As it is true that the chance of a local association to function successfully, even to continue its existence, largely is underwritten by reason of MBA cooperation and support, it follows that the national effort is buttressed and stayed by the local effort.

One of the most pleasant and profitable, though strenuous, uses made of our time in the course of the visit to the western front was an extended series of personal calls at the business homes of our members and prospective members. No ambassadors could have been received more cordially.

Typical of the revealing experiences growing out of these personal contacts was one that will be interesting especially to those engaged in farm lending. While in Spokane, we conferred with E. M. Ehrhardt, who had just resigned the presidency of the Federal Land Bank of Spokane, as a protest against the further liberalization of farm credit. He took the position that the new regulations, recently promulgated by the newly appointed head of the Farm Credit Administration, could be characterized only as "farm relief."

Our farm loan members in the Pacific Northwest are continuing their efforts despite the obstacles they face, and are succeeding. They are convinced that the life insurance companies can recapture a substantial part of the farm

(Concluded on back page)

8,000,000 More People in the Next 20 Years

The Slowing Up of Population Gain Is Important for Every Mortgage Banker But Not Necessarily a Gloomy Prospect

By FRED H. STERNS

A LOT of people think population growth follows the fluctuations of the stock market. "Give us," they say, "another 1929 and aliens from war-torn Europe will again crowd Ellis Island, and our cradles will be as full as they ever were." They forget, however, that the increase in population in the boom year of 1929 was only about 60 percent of that of the depression year of 1921. Showing that even in the Tremendous Twenties, the effect of business cycles on birth rates and immigration was slight indeed.

As a matter of fact, the curve of our population gains more nearly resembles a toboggan than a roller coaster. Fundamental population trends gather momentum only slowly, but once started they are extremely hard to reverse. Our war mobilization 20 odd years ago delayed a lot of marriages, and so reduced the crop of babies—consequently there are not so many potential mothers today. And the resulting low birth rates mean still fewer potential parents in 1960.

Nor is it likely that a new flood of immigrants will offset the effect of empty nurseries. The welcome signs are down for good at our ports of entry if organized labor has its say. (Freedom from competition with low priced aliens, once enjoyed, is not going to be given up without a struggle.) Even if we should lower the legal bars, it is doubtful if we could again lure many foreigners to our shores.

In the past, the majority came at the urging and with the help of friends and relatives just ahead of them, but during the past decade not many arrived here who could send back passage money for others. And the few immigrants we had didn't find many golden streets to write home about, either.

With immigration almost non-existent, and birth rates falling, death rates are likely to rise. The millions of migrants who entered the country prior to 1914, who were then in their prime, will soon reach the ages of high mortality. Meanwhile our native population is not getting any younger. All of which means our prospective net gains are likely to be smaller than those of the recent past. Indeed, the *largest increase in population we can hope for during the next 20 years is only about eight million.*

WE have all heard and read a great deal as to how far this country has lagged in building and its rebuilding. We have all seen the many estimates of the deficiency of dwelling units that has accumulated during the years since the late Twenties. All these estimates for the future may well be true. Mr. Sterns here says that they must be considered in the light of the obvious fact that our population growth is slowing down — and that this will have a tremendous effect on almost every type of business. But it is not necessarily a gloomy prospect for mortgage men and real estate firms, and he explains why. Mr. Sterns does market and population research work for the A. T. & T. and these observations are from "New Signposts for Industry" in Barron's, reprinted here by permission.

With an annual increase only three-tenths of 1 percent in our total numbers, no community can grow rapidly except at the expense of others. If New York, Chicago, Philadelphia, Detroit and Los Angeles should repeat their 1920-30 performance, the growth of the rest of the country would be 4,000,000 less than nothing. No doubt there will be some cities, possibly the Big Five, which will have such outstanding advantages that they can pull people from a wide area, but then other cities will be lucky if they even hold their own.

Here is one little known population trend. The native white population—that supposedly admirable group which, according to the statisticians, has a high standard of living, puts its surplus money into more satisfactory places than old mattresses, and best of all, is highly susceptible to national advertising—is going to keep on increasing.

It is obvious the native whites cannot increase faster than the total unless some other group is going to lose. In this case, it is the immigrant population which will play that part—to the tune of 50 percent during the next two decades.

The construction industries may be hard hit by the decline in national growth. Few families buy a second house until they can sell or rent the first one to some other family. Furthermore, a well-made house will last a long, long time if no one deliberately destroys it.

Where there is rapid growth, however, houses have to be built not only to house the new families but also to replace the family quarters torn down to make room for new office and mercantile buildings, new streets, etc. Construction thus varies directly not as the growth but as the square or the cube of the growth.

However, there is one out for the building industry. The decline in population growth is mainly the result of fewer children, but children do not require desk space in offices nor bench space in factories. And, for that matter, neither do they determine the number of family quarters which will be necessary. All of these depend on the size of the *working or adult population which should continue to increase at substantial rates for some time.* Besides, if the number of adults per family (or better, household) stays about where it is now, the rate of family growth for a while will be about 2½ times that of the population growth.

Of course, this cannot last forever, but for the time being it provides a ray of sunshine to an otherwise gloomy prospect.

Digest of Opinions and Views

They're Not So Fussy in England About Heat

Contrasted with the efforts made in Denmark, Holland, Sweden, to build in the present so that future generations might not live to regret their ancestors, the English building boom of the nineteen thirties that had picked England out of the slump was a planless, sprawling muddle, an often dishonest muddle of bogus building that ruined whole miles of countryside.

No one seemed to have tackled the problem of building today in England so that the England of tomorrow should not look much worse than the England of its pre-Victorian yesterday.

We made an inspection of one of the vast new blocks of flats in London built to house five thousand people removed from condemned slum dwellings. After noticing approvingly the great wide windows to bring light and air to people who had lived so dankly before, the well-proportioned rooms, the modern bath and the kitchen with gadgets, it was with something of a start that we saw a small iron grate in the living room, realized that what we had thought was a boot cupboard in the hall was a coal bin, saw that the floors of kitchen, hall, and bathroom were of uncovered concrete.

We could see the new flat as it would appear tenanted in November: the state of those concrete floors when the children came in from school through the mud, after the mother had filled coal scuttles from the bin and carried them to kitchen and living room. We knew what it meant when working people had to heat their own flats and their own hot water. Four people, nine dollars a week income, coal fifteen dollars a ton—it meant they got along without heat and without hot water and they would sit in their new, high, wide rooms with the shining windows with a raw fog outside that cut damply to the marrow of their bones, and look ironically at the fine modern bath and the living-room grate and at the white gas range in the kitchen with the slot for pennies above it. We asked the proud young manager of the flats timidly about central heating and he laughingly said that all the Americans asked about that. The answer was that the tenants had never had it and didn't like it, which, non sequitur that it was, had the ring of finality. The young manager concluded generously, "Perhaps we shouldn't have so much rheumatism though if we heated them."—*From "The Long Watch in England," by Eugene and Arline Lohrke in Harper's.*

This Is the Background of Real Estate Today

In 1880, three fourths of the population of the United States was rural. In 1939, three fourths of the population was urban.

Out of that tremendous shift, in the space of only two generations, from an agricultural economy to an industrial economy, came the emergence of the real estate specialist in American business life.

In the twenty years from 1910 to 1930 alone, with the industrialist replacing the agriculturalist in the driver's seat, our large cities absorbed thirty-two million souls.

Living quarters had to be provided for them, manufacturing plants had to be built, offices and stores had to be rented, land acquired, mortgages and leases negotiated, and these were activities and functions demanding a clearing house of experts.

Equally tremendous are the economic and social changes under way which challenge real estate skill and foresight today, changes that include what appears to be the approaching end of national population increase, a trend to decentralization in industry, in business and in city residential growth, unpredictable impact from technological developments, for example today, a widening use of air conditioning, tomorrow perhaps a widening use of the airplane. This is the background for an understanding of real estate today. — *The NAREB.*

Mortgage "Sniping"

Mortgage "sniping" is comparable to "twisting" of life insurance, a practice that has been prohibited by law and made punishable by both fine and jail sentence.

There is little difference between the "twisting" of a mortgage and that of a life insurance policy. In both instances, advantage is taken of the innocence of the individual who is led to believe that he will benefit financially by the switch only to learn later that he suffered a loss.

Just as the reputable life insurance underwriters campaigned to have the twister outlawed, so do I believe, the home financing industry should work today to have the same law apply to the mortgage "twister". I am firmly convinced that no reputable home financing institution, operating for the best interests of the public will for a minute countenance nor permit their employees to engage in this vicious practice.

Individuals may well consider the refinancing of their mortgages, provided they are of the old, non-amortizing type. However, where the individual already has a modern, amortizing type of mortgage, it is taking an unfair advantage of him to have him reset his mortgage merely because it may presently be 6 percent interest and undergo the refinancing charges to take a new one at 5 percent. In many cases, the expenses to the individual in refinancing are greater than the savings that may accrue to him over several years through a lower interest rate. The difference between a 2 percent or 3 percent or even a 4 percent return on your shares will not be the difference between eating and not eating for your shareholders, but loss of the investment in your shares might be. While the principal of your shares may be insured against ultimate loss, your loans should be made and your business operated as carefully as though your shares were not insured. —*Newell J. Nessen, President, Quaker City Federal Savings and Loan Association, Philadelphia.*

Jesse Jones' Mortgage Bank

It probably is not generally known but had it not been for an expected early adjournment of Congress, Jesse Jones, head of the Federal Loan Agency, would have proposed that the Federal Home Loan Banks be expanded into a general mortgage discount bank system. Jones made that clear, press reports from Winston-Salem, N. C. say, when he spoke at the annual meeting of the home loan bank there. He went on to say that:

"Real estate is required to pay too much interest, and too much taxes, and banks, insurance companies and other lenders do not accord mortgages as good a treatment as they do other forms of investment.

"Bank examiners still criticize them, and classify them as slow loans, notwithstanding the fact that such loans now comply with the banking laws.

"Bankers do not like to make real estate loans. Insurance companies that are reservoirs for almost thirty billion dollars of the savings of half the people of the United States have been slow to grant mortgage loans or give treatment and interest rates as fair as those given some other form of investment.

"I would like to see a properly placed, properly protected, first mortgage on improved real estate recognized as a safe and favorite form of investment for savings and trust funds generally. Conservative investments should only bear low interest rates, and, while investors and savers want a fair return, they are more interested in the safety of their investments."

We Need Equity Money for Housing Projects

If this country is to have again a volume of construction large enough to lift it from the status of moderate recovery into a state of real prosperity, it must once more develop a program of economic expansion.

Such a program need not be, and preferably should not be, a governmental program; it must be activated by well-considered national policies, just as our past programs of economic expansion were.

Those who persist in thinking that economic expansion comes about automatically through non-interference of Government with business should be reminded of the land-expansion policies of a hundred years ago, of the encouragement we gave to immigration, of subsidies to railroads, of the National Banking Act and the Federal Reserve Act, of protective tariffs and patent laws, Federal aid for highways and many other legislatively-created expansion stimuli.

Perhaps the greatest contribution the present Administration has yet made to the future economic expansion of the country has been the popularization of the long-term amortized mortgage.

Up to this moment, both Government and private finance have failed to work out a satisfactory long-range plan for public works financing, or, in lieu of that, to prove that present means are adequate. Here is a field in which the dynamic potentialities of modern finance need to be demonstrated.

The fact that we have not as yet produced small homes for sale on a quantity basis, as the British home-building industry has done, is principally due to conditions of real estate demand and restrictions imposed by archaic building codes, other legal restrictions, and high labor costs. Fortunately, high costs of home-financing are no longer listed among the important deterrents.

The one important lack is adequate equity money for investment housing projects, a matter calling for more education as to investment opportunities in the field than for any specific action by bankers.

It is something to have learned that we can purchase capital goods and create wealth without setting up a debt load that tends to be perpetuated; that the better way to accomplish these vital purposes is to extend credits that can be liquidated out of the earnings of property or of property ownership.—*Thomas S. Holden, President, F. W. Dodge Corporation.*

Handful of Rice and the Building Industry

You can do stupendous things with a handful of rice. With hardly enough for a single order of pudding, you can strangle a $12,000,000,000 industry, completely abort the adventure theory of capitalism, and condemn half the urban population of the United States to substandard housing conditions for life.

The rice is dropped into a batch of plaster on a home construction job. In a few days it sprouts, and the contractor is a dead duck. He learns at the cost of ruination, that he cannot buck the tight oligarchy hereinafter referred to laughingly as the building industry.

That seems like oversimplification, but it gives an idea of the picture that is being unfolded by Assistant Attorney General Thurman Arnold in his investigation of the restraints that have clogged the building industry and made it to become a stone upon the neck of economic society.

The general reaction that somehow or other labor racketeers alone are responsible for the ridiculous strangulation of the construction industry is easily arrived at because of superficial instances—the plumber who will remove a tile in the bathroom but won't put it back; the painters who limit the size of their brushes; the simple souls like Mike Carrozzo in Chicago, who neither toil nor spin, but who live in regal state on hot-house lamb.

But there is something behind that picture. A person of national fame in the labor field here in Washington observed privately:

"When you see a crooked labor faker, look for a crooked boss."

The evidence in a steadily mounting pile of indictments brought by Mr. Arnold under the antitrust laws indicates that the racket guy who drops the handful of rice in the plaster, who forbids his men to handle certain kinds of material, or does any of a hundred other things, is but a very modest worker in an ant hill.

Washington was the father of the Union; Lincoln was its savior, but it was not until the business agents, the finance capitalists and the contractors came to understand one another that the immortal phrase, "one and indivisible," began to have practical significance.—*Edwin A. Lahey in The Chicago Daily News.*

Streamlined Plan for Selling Real Estate Owned by Banks

One Part of This Successful Idea Is Getting the Bank's Employees Busy in Digging Up Good Prospects

By WILLIAM J. MARTIN

BANKERS should tackle the problems of dealing with real estate properties in the light of new conditions. An adjustment to those conditions, the employment of sound merchandising methods, and a little intensive pioneering will result in the liquidation of foreclosed real estate ceasing to exist as a major problem.

Bankers should get out of the habit of concluding that foreclosed real estate is a "frozen asset." It is liquid unless one persists in thinking along ancient lines.

Assume that a bank has the modern view. It looks over its holdings and decides to initiate a campaign to dispose of them as quickly as it can consistent with good judgment and sound value. It should classify its properties into three groups.

Worthy of its first attention (and most important for it to be free of) would be those properties most difficult to manage; properties occupied by tenants on welfare and requiring constant attention; properties where the occupants consider a rent payment to the landlord in the nature of a Christmas gift.

In the second class would be vacant land and more specifically the less desirable vacant land. The third class, that more attractive class of properties, consists of the commercial properties producing good returns and the single houses in desirable neighborhoods—properties in a word for which there is an actual or potential demand.

Such a classification of all bank properties would indicate those pieces on which the most effort is required in order to effect the best possible sale. This classification would necessarily be based on the appraisals made of each piece.

Once a bank has property by virtue of foreclosure the appraisal can be most important in facilitating the movement of any particular piece off the books of the bank at a good price. The bank must consider itself a merchant and employ the method that a good merchandiser would use. Thus, when the appraiser is retained, be sure that he is competent and see that he renders a report that substantiates the value he estimates. Do not advise him as to the book value of the parcel, and make sure what his "concept of value" is.

THIS author takes the view that bankers had best bestir themselves out of the attitude that foreclosed real estate is a sword of Damocles hanging over their head and assume the more modern view that it represents a problem of and for today—one that can be solved if modern merchandising methods are applied. He tells his own experience here. The first step is to segregate properties owned into three distinct classes—and start working from there. Mr. Martin is President of the Granite Trust Company of Quincy, Massachusetts. He recently addressed the ABA Eastern Regional Conference.

The adequate appraisal should constitute the traffic signal when a bid is made. One finds too many banks *refusing good offers because of a bad job of appraisal.* Frequently such offers may be made by prospective purchasers where those purchasers are ill-advised. Thus the right appraisal is the basis of a desirable sale.

If we are going to be successful in moving properties, we must place a figure on the price tag that will enable us to compete with the price tag on new construction. We make it a point to review those properties that do not move and on which there has been little or no interest, to ascertain if we should not reduce the price. In the event that no bids are forthcoming on a property, it may well appear that the first appraisal is at fault and hence a reappraisal is in order.

The fewer such reappraisals made, the better.

Insofar as the broker is concerned, it has been my experience that each broker is more potent in selling power in that part of the city or community where he seems to specialize. I have found, on certain parcels, that it is wise to list the properties exclusively with individual brokers, provided they do special advertising and actively press the sale of the listings given them. Keeping after the broker to make certain that he is doing his level best to turn over the property has a salutary effect and frequent visits to him by the bank's representatives *pay dividends.* Each broker should be provided with listing cards about five by seven and a half inches, containing a complete description of the property, together with estimated annual charges for taxes, fire insurance and water bills. It helps a great deal to have a photograph of the particular parcel on the reverse of each of these cards. In dealing with the broker, especially with regard to fees, I think it can be reasonably stated that the best results will be accomplished by steering a middle course, not being too niggardly and at the same time keeping a watchful eye on expense to the end that excessive expense may be curbed.

My own experience has been rich, particularly in the co-operation sought and received from our employees. The value of infusing the spirit which makes for enthusiastic and intelligent sales effort and which puts the realty problem up to the individual employee is inestimable. There are too many banks where one can enter and inquire regarding some property which the bank may have for sale and be met with ignorance and indifference.

(Continued page 7, column 2)

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What MBA Members DID Think of Recapturing Farm Loans

When we published in the last issue a short piece speculating on the extent of the liberalization or socialization of the government's farm mortgage activities, it could hardly be foreseen that events relating to it would move as swiftly as they have.

The fact is that the brief facts collected in that article were set into type about ten days before mailing; yet our question as to whether "liberalization was ahead" was already answered by publication time. That answer seems to be a resounding "yes."

It isn't necessary to review here the comments and views of public officials on this question or on the Jones-Wheeler bill or the Gillette bill. All are receiving widespread attention in the press.

It may be interesting to know, however, just what the sentiments of MBA members *were* late last year on this question. The data in our poll, compiled early in 1940 and heretofore unpublished, indicate that our members felt that the time had come when private interests might profitably compete with government agencies in the farm lending field. There were indications that in at least one phase of competition with private interests, that of farm mortgage lending, a whole cycle seemed about completed. But that was before the scramble over FCA! What a unified opinion would show today we do not know.

More than 70 percent of MBA members in 34 states said this was an advantageous time to start recovering from the government agencies business lost in the past while nearly 14 percent still did not think private lenders could make much headway against the government under present day conditions. Over 15 percent were doubtful of the possibilities.

The possibility of getting back some of the farm loans taken by land banks and government agencies was strongest in the South and Far West where 85 percent expressed the view that it could be done. In the Eastern states, only 55 percent thought so, while in the Middle West states 68 percent considered it possible.

HOW TO DISPOSE OF BANK-OWNED PROPERTY

(*Continued from page 2*)

It is interesting to step into an institution where one is not known and check its attitude by such an inquiry. Very frequently the whole bank policy is laid bare by the answers you receive, *or lack of them*. We endeavor to make our organization in its entirety, *sales-minded*. It so happens that at this moment we are engaged in a final clean-up of real estate. Our program is based on the Spring interest in home ownership. We announced that special awards would be made for each sale negotiated as a result of efforts of any one of the personnel. We thought it wise to make other than lump sum cash awards where sales were affected.

The awards are based on vacations with all expenses paid, enabling our successful employees to plan boat trips, World Series trips and the like. To each employee the amount paid on a sale will be approximately the same as a real estate broker would be paid for making the sale and it has been our experience that there is far more appeal in the all-expense extra vacation than in the payment of a stated commission.

In furtherance of our plan we printed booklets listing the properties and breaking down the payments along the lines to which I have already referred. Each property is listed in the booklet with full information, including a photograph. It is our intention to issue frequent bulletins giving sales helps and emphasizing the favorable features of the properties, in addition to giving the contestants in our bank information on where the successful employees spent their vacations. To achieve the goal which we have set, we must, of necessity, depend on the wholehearted interest and co-operation of our employees, but thus far we have found that the rewards to the individual arising from this contest have paid substantial dividends.

I wish to stress what has often been stressed before—advertising. It is a science, and much money can be thrown into it without results unless the closest attention is paid to policy. I speak principally of advertising done for foreclosed properties by country banks. Generally, advertising in metropolitan dailies is too expensive to use; and, if employed, should be discontinued if the expected ends are not achieved. Local papers are those that have the strong pull. You can experiment with the various forms of newspaper advertising in your own locality until you know fairly well where you can advertise and how you can advertise to advantage. As far as the property itself is concerned, you should employ small and attractive signs with not more than one to a property.

The best form of advertising, however, is the satisfied purchaser.

Timing is also of great importance in selling. Usually the Spring and Fall of the year are the best seasons for disposing of properties. There may have been whole years when there was little or no demand on the part of prospective purchasers. A bank should operate, however, on the theory that it must be constantly on the alert for signs of awakening interest in real estate of the type that it holds. It must be organized always to the end that it may dispose of its foreclosed property when the demand becomes apparent. Then is the time to advertise and to push its program to the utmost.

Banking institutions could and should be handling 90% of the present lending now being done by the 44 government lending agencies, according to Gurney P. Hood, President, National Association of Supervisors of State Banks.

Government is like a stomach: if it is doing its work right you will hardly realize you've got one.

SEC—Scatter every confidence, or, sock every competitor.—The Arkansas Banker.

One can run into debt, but he usually comes out crawling.

MBA Notes

IOWA MBA ISSUES BULLETIN

The Iowa MBA has followed the lead of Oklahoma's Omagram and is publishing a monthly Bulletin under the supervision of Fred H. Quiner, Secretary-Treasurer. First issue emphasizes Iowa's plans for a Mortgage Clinic for some future date. There are short digests of speeches delivered at the Iowa Annual Convention which appears to have been one of the best of the recent MBA local meetings. A set of resolutions was adopted, one of which concerned low cost housing. Iowa MBA advocated no further grants to USHA. Iowa MBA's new activity is a commendable one and we thoroughly recommend similar efforts to other local associations.

NEW ADVERTISING IDEA

Something entirely new in the way of novelty advertising for a mortgage house has been devised by Republic Realty Mortgage Corporation of Chicago, which is distributing a "Lightning Calculator for FHA Loan Payments". It is a slide chart which tells at a glance what the total principal, interest and FHA insurance payments are on each month on loans running from 15 to 25 years. Earle Vincent Johnson says it has proved a successful advertising venture.

ADDRESSES ST. LOUIS MBA

H. F. Boettler, Vice President of the First National Bank in St. Louis, addressed members of the Mortgage Bankers Association of St. Louis recently on "The Trend of Interest Rates". A. Sproule Love, President of the St. Louis Chapter, presided.

Ferd Kramer, CMBA President, has been re-elected president of the Metropolitan Housing Council of Chicago.

J. J. F. Steiner, Birmingham MBA Board member has been elected second vice president of the Birmingham Real Estate Board for the 1940 term.

R. C. Carpenter, Vice President-Treasurer, Steller-Carpenter-Stofer, Inc. of Cleveland, has been elected President of the Cleveland Real Estate Board.

HOLC—Hold on, last chance.—The Arkansas Banker.

YOU MAY WANT TO READ—

IT'S HEAVENLY, IT'S PARADISE

In April Fortune

This is an entertaining, readable article on USHA's Red Hook house development in New York City. An interesting commentary on subsidized housing.

LIFE INSURANCE AND "TNEC"

In March 16 Business Week

Recently the TNEC hearings brought forth a mass of opinions, views, statistics, and data about life insurance. If you were puzzled or confused about some of the apparent contradictions, this article will prove an interesting guide as to what's back of the investigation, what has already gone before, and what we may expect. (For more on the TNEC, Harper's has articles by Stuart Chase in the February and March issues, and the Saturday Evening Post, in its March 30 issue, began a series by Raymond Moley.)

FOOTNOTE ON ARTHURDALE

By Millard M. Rice in March Harpers

A review of the New Deal's first subsidence—homestead. Verdict: "Arthurdale seems to reaffirm a belief that . . . men must find their places in life . . . without dictation."

THE CHANGING CITY

By Robert Moses in March Architectural Forum

A 1940 look at New York City, as a city, by a man who knows as much about municipal management and planning as any authority in the country.

CONSTRUCTION SUPERVISION IN THE TWIN CITIES

In March Federal Home Loan Bank Review

RESIDENTIAL CONSTRUCTION DURING 1939

In March Insured Mortgage Portfolio

FHA Would Be No More

Should the activities under the special study of banking and monetary affairs by the Senate committee develop into nationalization of the banking system, the insuring of home mortgages under the Federal Housing Administration would be superfluous, an official of that agency commented recently. He likened it "to taking money out of one pocket and putting it into another." It is this official's belief that nationalization of the banks of the country would aid housing by making funds available without regard to the traditional safety of deposits, which at present requires Federal sponsorship of all types of loans for business generally. That possible trend of the study is about the only one that interests the FHA.—*The American Banker.*

PACIFIC COAST TOUR

(*Continued from page 2*)

mortgage business, if the companies will give them money to lend at 4, 4½ and 5 percent gross rate.

It is impossible to record the experiences of a crowded month or to acknowledge fittingly the extraordinary courtesies of which we were the object. They were accepted as evidence of appreciation for the benefits conferred by membership in the Association we were and are proud to serve. It was a privilege to represent the membership at large to the mortgage bankers of the west. To those who welcomed us, we offer our best thanks.

In 1939 FHA insured loans financed the construction of 150,206 new dwelling units.

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